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CREDIT SALES PROMOTION
and
CUSTOMER CONTROL

By

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Manager of Credit Sales, M. L. Parker Company
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Mimeographed by
RESEARCH DIVISION
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St. Louis, Missouri

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-INTRODUCTION-

The purpose of any customer control system is to assist the credit sales manager in developing charge account business by concentration of effort on those accounts already approved and on the books. It has been found that customers sometimes restrict their buying to certain departments in the store which is primarily the result of habit rather than forethought on the part of the customer. In one store for example, over one-half of the active customers had patronized not more than five out of their nineteen departments. With the assistance of customer control it is possible for a merchant to determine which customers buy only in a few departments. Attention can then be called to the advantages of buying also in other departments of the store. It can be readily seen then, that credit sales promotion and customer control are two of the most important phases in consumer credit granting.

The purpose of this booklet is to explain a system of customer control which has proven profitable, as well as to illustrate how new accounts can be solicited from various sources. The author, Mr. Dean Ashby, Manager of Credit Sales, M. L. Parker Company, Davenport, Iowa, has had many years of practical experience in retail credit work. He is Vice President of the Sixth District of the National Retail Credit Association which comprises the States of Iowa, Minnesota, Nebraska, North Dakota, South Dakota, and Manitoba, Canada, and also a member of the Educational Committee of the National Retail Credit Association.

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ARTHUR H. HERT

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The purpose of this booklet is to explain a system of customer control which has proven profitable, as well as to illustrate how accounts can be collected from various sources. The author, Roy Dean Kelly, Manager of Credit Sales, The E. Tucker Company, Davenport, Iowa, has had many years of practical experience in retail credit work. He is Vice President of the Sixth District of the National Retail Credit Association which comprises the States of Iowa, Minnesota, Nebraska, North Dakota, South Dakota, and Manitoba, Canada, and also a member of the Educational Committee of the National Retail Credit Association.

ARTHUR E. HAY

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1. RECENT CREDIT DEPARTMENT CHANGES

There is a most curious idea nurtured by some store executives that a credit department is an item of burdensome overhead, a necessary, but not too necessary evil. The origin of this idea was no doubt sound, in the days gone by, when a credit man was considered a predatory vulture who looked down his nose at each customer and each charge sale with a glint of suspicion and distrust.

The processes of evolution have operated not alone upon production, advertising and sales, but they have also worked an equal change among credit departments. In fact, so great has been the change that no longer does the term "Credit Department" adequately describe the function of the properly organized and directed credit organization. A far more descriptive designation would be "Sales Development Department."

The welding of the sales and sales development sections of a business begins with the very organization of the credit department and has its inception not primarily in consideration of credit and financial conditions, but rather with the careful study of the merchandising and the sales problems of the store. The credit department is then set up and located in direct relation to the sales department's point of contact with the customer, with the primary purpose of linking both sales and credit service.

Strategic locations to make possible close contact with customers on credit matters are selected, and the proper personnel to carry on the stores policy is installed and painstakingly trained. The training of the credit personnel is based upon a thorough knowledge of the store's merchandise, merchandising policies and advertising plans and its ultimate selling aim.

Persons selected for credit contact are chosen not alone, nor even primarily for their technical or theoretical financial knowledge, but sales presence, appearance, personality, the ability to meet and talk with every type of the store's customers, are indispensable essentials in the make up of a real credit man, or woman. For people in the credit department must be salesmen. They must be able to sell themselves, to sell their store and to sell the store's credit policy. In many respects this is a more delicate form of salesmanship than the selling of merchandise.

Too often, through the lack of vision and understanding of the important part a credit department may play in the success of any organization, credit men are chosen upon the theory that their sole function is to sit at a desk in some obscure corner of the office hour after hour, day after day, and year after year, and pour over credit reports and ledgers, approving or declining charge sales upon the sole support of reams and reams of credit reports and statistics.

Such a department is not merely an item of overhead, in the store's operation - it is actually a liability for it has neither an understanding of the sales department's problems nor those of the store's customers,

On the contrary, the profit-conscious credit man of today has his seat in the councils of the sales department. He is in constant touch with the research and development of his store. He knows about the new merchandise about to be received, and he adds his voice in the development of a sales plan. He knows the sales people very well. He knows at first hand what their practical problems are, and he devotes much time to smoothing their path. He knows the store's customers, sits down with them and discusses their plans and problems, and is ready with credit plans to fit their particular needs, and aids them in organizing their affairs.

Through his knowledge of all the ramifications of a stores policies, and the customers' problems, he is able to convert many a doubtful sale, which would be declined by the fellow who sits in the obscure corner, into a profitable sale. Many a customer on the fence has been properly nurtured and built into an important and profitable account with one fixed purpose, that of guarding and promoting the store's profits.

His versatility and ingenuity are manifested in the formation of new ideas and policies in the astract and the adaption and application of those policies in concrete cases. Barring certain necessary and sound fundamentals, there are no hard and fast rules rigidly to be applied to every customer, regardless of their circumstances. With profits his prime consideration, he develops the flexibility of mind which sees through and around the corners of each customer's individual situation. He does not look upon a past due account as a debtor, he always remembers that it is a customer of the store. He does not point with pride to the fact that his bad debt losses are exceedingly small. Rather he judges his performance by the volume of business handled and its relationship to his credit losses only in connection with the volume of business declined for credit reasons.

When a credit department is founded upon these principles and when the credit men have these inherent qualities and training, a credit department becomes truly a "Sales Development Department."

It is only recently, however, that store executives have recognized the fact that the credit department offers greater opportunities for promotion of additional business than any other section of the store, for it is this department which is in constant touch with, and exercises, the closest supervision over the three most potential fields open to any store for the promotion of extra sales volume. These opportunities for increasing sales lie, <u>first</u>, in the creation of additional buying on the part of active charge customers; <u>second</u>, the control of accounts so far as to prevent their becoming inactive, and <u>third</u>, the creation of new customers through the intelligent solicitation of new charge accounts.

Every one realizes that one of the most productive assets any department store can have, is a long list of active charge customers. Such a list represents people, many of whom for years have done a great deal of trading in that particular store. It represents a group of customers whose steady patronage has proven that the merchandise that the store sells as well as the service which it renders as a whole, is satisfactory to them.

In order to conserve this important asset, store executives are apt to make every effort to maintain or increase the size of their charge account list. Such activity is extremely important, of course, and the

subject of soliciting new accounts, as well as that of maintaining the activity of old ones, will be later dealt with extensively.

This is the time to tell your potential customers all about your merchandise. There are new faces and names in business. Your merchandise may be an old story to you, but unless you are keeping your possible buyers advised of its merits it will in this day of business reconstruction, rapidly become an unknown. The problem is the greatest possible coverage for the dollar.

Next to personal calls, personalized direct mail advertising is the best and most effective means of promoting sales to a list of customers. It has to be highly selective and can be utilized to gradually trade customers up in the purchase of a better class of merchandise or of more fully meeting their entire requirements from your supply. It is necessarily confined to a list of names of known characteristics. The list is usually taken from the records of the customer control kept by the credit department.

While this type of advertising results in increased business from present customers, it has the disadvantage of not producing an increased customer list. It is the old story of starting out with 1,000 customers, some leave town, some die and some, regardless of what you do, go to your competitors.

Business per sale - per customer - may have improved, but the number of customers with whom you are doing business has decreased during the year. Given enough years you are out of business. It is a spiral generating inversely to the point of origin.

This advertising problem is not only to increase the size and number of sales charged to each customer, but to increase the number of customers who are trading with you. In other words, to reverse the direction of generation of the spiral from the origin to a gradually widening curve. This is the function of general publicity and advertising. It may be magazines, trade journals, newspaper or direct advertising, in the form of distributed circulars, booklets, house organs, or letters. The circulation must be great in proportion to the customer list. Notwithstanding these self evident facts, it is remarkable how many businesses go one way or the other in the development. It is not unusual to find large sums being spent for general advertising, and yet no provision for customer cultivation.

On the other hand, there are some very pretentious set-ups to handle customer promotion without any provision being made to feed into the customer list new blood necessary to the life of any business.

For a concern selling a complicated list of material to attempt individual customer cultivation through general advertising is just about as practical as to attempt to introduce a commodity to a broad market with salesmen. Yet both are tried.

Many progressive stores have already proven that direct mail advertising produces greater sales result per dollar of cost than any other form of advertising. This shows that even direct mail, as used by most

stores, is only partially effective. Research work discloses the reason for this is that the average store does not use the most remarkable sales winning feature, which only direct mail advertising can give by the way of personal appeal.

2. CREDIT SALES MANAGEMENT PRACTICE AND PROCEDURE

The functioning of the credit office has been largely confined in the past to the work of passing on credit applications, opening accounts and supervising collections. The problem of proper turnover on accounts, or good collection percentage, has always confronted the credit executive and probably always will, because we should never feel satisfied that there could not be some improvement made in this part of our work. There are unusual opportunities for proper salesmanship to be put into practice by the personnel of a credit department when approaching a customer to make collection of an account, by obtaining a favorable reaction in the form of a settlement or promise to pay, and retaining the good will. However, it is only recently that store executives have come to recognize the fact that the credit department offers greater opportunities for the promotion of additional business than any other section of the store.

For it is the credit department which is in constant touch with and exercises the closest supervision over the three most potential fields open to any store for the promotion of extra sales volume. These opportunities for increasing sales lie in the creation of additional buying on the part of active charge customers, the control of accounts so as to prevent their becoming inactive and the creation of new customers through intelligent solicitation of new charge accounts.

Every one realizes that one of the most productive assets any department store can have is a long list of active charge customers. Such a list represents people, many of whom have for years, done a great part of their trading in that particular store. It represents a group of customers whose steady patronage has proven that the merchandise which the store sells as well as the service which it renders is, on the whole, satisfactory to them.

In order to conserve such an important asset, store executives are apt to make every effort to maintain or increase the size of their charge account lists. Such activity is extremely important, of course, and the subject of soliciting new accounts as well as that of maintaining the activity of the old ones is dealt with extensively.

First, we are concerned primarily with a problem to which the average store executive gives only minor consideration. It is the problem which has to do with the possibility of increasing sales by getting active charge customers to do a greater proportion of their trading in the store. The amount of additional business which can be readily created by this type of work cannot be fully appreciated until actual experience has shown what can really be accomplished in this field.

For this reason, the first subject to be considered will be that of the methods to be employed in taking advantage of "the most potential field for increasing a store's business," the proper promotion of the active charge account list.

3. THE PROMOTION OF ACTIVE ACCOUNTS

When stores were small, the proprietor of the business knew his customers by name - knew their individual buying preferences - and catered to them accordingly.

As stores grew large the proprietor put himself in the background and lost all personal contact with his customers.

While we may ridicule many of the old practices of merchants of former days - one thing can be brought back with profit! That is the personal contact and interest of the proprietor or executive head of any business in -- HIS CUSTOMERS! Every merchant's list of best customers is his competitors' list of best prospects.

It is true that "a satisfied customer is the best advertisement." The value of friendship is recognized by every retailer, yet few retailers have any means of getting closer to their customers and causing the "satisfied" customer to really function as an advertisement.

Many retailers seem content with the knowledge that they are delivering quality merchandise, good value and satisfactory service. Some will say, "We have beautiful rest rooms," others "We refund money without argument." Those things are important, of course. But they are not sufficient.

The BIG thing that most merchants have overlooked entirely is their own place in the friendship of their customers. The executive head or owner of a business should take an active part in that business - especially as concerns the quest for increased sales.

It is almost a self evident fact that it is less costly to sell a large quantity of merchandise to one customer than it is to sell a large number of customers each a smaller amount. For much the same reason, the cost of promoting extra business from a customer who is already a steady patron of our store is materially less than that of soliciting business among people who have not formed the habit of shopping there. On the one hand, you have people whose shopping habits are moulded in a different direction and who, for one reason or another, rarely enter your store as opposed to your active charge customers who come in regularly at least once a month.

In the average store the customer is merely a sheet in the ledger. But, as John Howie Wright has so aptly put it - "To ME - I am the most important person in the world!" And so it is with the customer. HER feelings - HER desires - HER credit - are all of FIRST importance.

Towering head and shoulders above all the other problems of the retailer is the constantly rising cost of selling.

At the end of every year the merchant plans to make this next year better. And he usually thinks of this hoped for increase in terms of NEW customers, or if he does consider any plan to sell his present customers more - he does so without consideration of the customer's identity in the store.

In order that a store may go about the work of promoting additional business from active accounts in an intelligent and productive way, it is imperative that more information be obtained about these accounts. It is not sufficient to know who your charge customers are and where they live. The information of greatest importance to the store is: What does the individual customer buy, which departments in your store does she patronize and which departments does she rarely or never make purchases in.

The assembling of this information fits most readily into the work of the credit department because it is the department which controls the material from which such data may be acquired. It is the credit department then, which can most easily and thoroughly take over the work of maintaining a simple yet complete system of "Customer Control" by means of which promotional effort can be directed into the most productive channels.

Customer Control will restore the personal element in retail selling; enable the owners or executive heads of even the largest stores to "call his customer by name"; enable him to automatically address his customers in terms of their actual "purchasing status" in his store; systematize the most advantageous use of Direct Mail Advertising as only Direct mail can be used.

With Customer Control it is now possible for every store to:

1. Sell each customer MORE.
2. Persuade patronage of departments NOT previously patronized.
3. Gain favorable word-of-mouth publicity.
4. Reduce patronage loss.
5. Increase charge business.
6. Revive dormant accounts.
7. Make all advertising more effective.

Customer Control (1) sets up an automatic method for Departmental Solicitation according to the actual purchasing status of the individual customer; (2) provides a method for conducting a perpetual inactive campaign and monthly inventory of customers.

4. THE MAINTENANCE OF "CUSTOMER CONTROL"

The mechanical details of maintaining a customer control system which is complete enough for all practical purposes are relatively simple. Actual experience has shown that the work of assembling and tabulating all necessary data as well as maintaining complete records for 10,000 accounts will consume only about half the time of one office clerk. The remainder of this clerk's time can be utilized in the detail work of scheduling promotions, personalizing direct mail and tabulating the results of each promotional effort.

For the purpose of keeping the records necessary for a customer control system, it has been found that certain advantages are to be gained by using both the illustrated control card and the Addressograph plates. The plate is the common type used so generally in stores for the purpose of addressing monthly statements and other mailing pieces. The control card is one which has been especially designed for this purpose and has the advantage of offering more detailed information concerning the purchases of each individual customer.

The control card is used in the following way: Each active account is represented by a card in the control file bearing the customers name and address. The card itself may be just as the one illustrated or be altered to cover more or less departments and price ranges according to the needs of the store in which it is to be used. The card illustrated (see illustration Page 10) here covers thirty departments and extends over a period of three years. In addition to this it has the further advantage of giving more detailed information with regard to the seasons of the year, as well as price lines in which purchases were made in certain of the apparel departments.

At the end of the month each customer card is checked against the statement and the card is punched whenever a purchase has been made in those departments listed on the card. The three holes opposite each department represent years or half years in the case of departments where seasonal classification is maintained. A square punch is used and the card is notched from the side. By this means, selection of those customers who have failed to trade in a certain department can very easily be made. This is done by taking a stack of the control cards and inserting a rod through the hole which indicates the department and the season in question. Those cards which have been notched, indicating that a purchase has been made, can then be shaken off the rod. The remaining cards will indicate those active charge customers who have not purchased, in that particular department during that season or year.

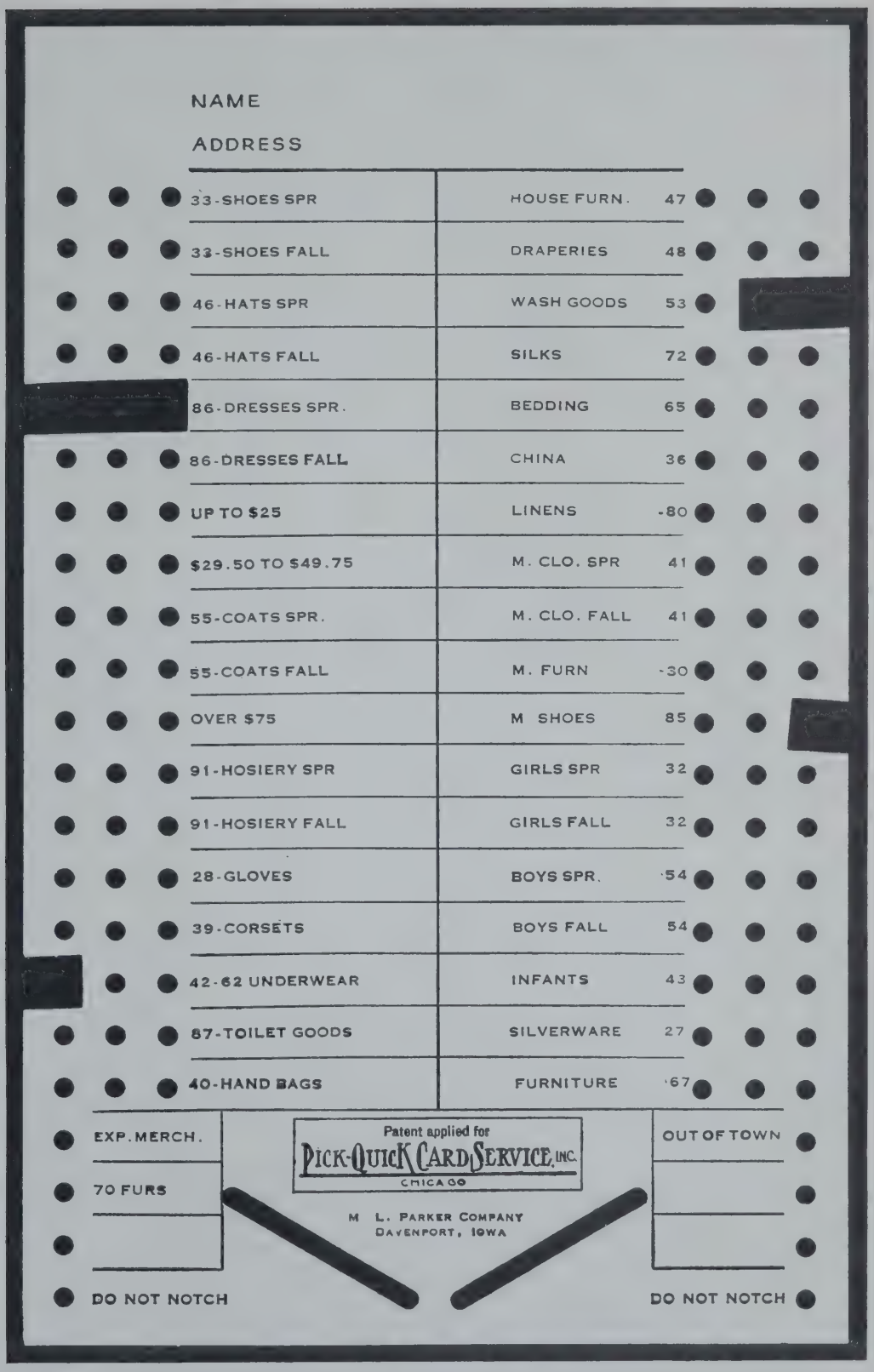
All cards should be eliminated from the Customer Control file as the account becomes delinquent and is placed in line for collection effort. This will avoid any possibility of soliciting additional business from a customer whose account may be in arrears.

If this precaution was not taken, it might create some very embarrassing situations, and of course that must be avoided at all times if possible.

The use of the Addressograph plate for indicating where purchases have been made by your customers is necessarily limited to a few of the major divisions of the store. In the case of the Addressograph plate, ten of the selector tabs are used to denote activity in the sections which correspond to the numbers shown on the master card. The eleventh tab indicates whether an account is being solicited for collection in which case it is automatically eliminated from further promotional effort until it is reinstated in good standing again. The twelfth tab indicates the account is not a local one, but that of an out of town customer.

The advantage of using the Addressograph plate lies in the fact that it eliminates the necessity for addressing the letters or mailing pieces by typewriter. The position of the tabs makes the desired selection of names automatically on the Addressograph machine.

The application of the customer control system for the purpose of stimulating sales has many interesting phases. The information which such a system as the one described above will provide is invaluable in many ways. It opens up what is practically a limitless field for sales promotion work among the class of people from which your store has the greatest right to expect additional business, those customers who patronize certain departments constantly, but never make a purchase in other sections of the store.



Customer Control Card—M. L. Parker Company

5. THE APPLICATION OF CUSTOMER CONTROL

Having recorded the necessary information on your Customer Control, the proper application of this record to building increased sales will prove the value which can be placed on this phase of responsibility of the credit department.

As explained heretofore, you have only those accounts in your Customer Control that are in good standing, and have indicated by their purchases and prompt payment of their obligations, that they are the best customers of your store. Why not let them know it?

Here is an example of the type of good will promotion which the Credit Department may sponsor: On December 31, 1934 the following letter was sent to all customers in the Customer Control at that time —

> "You will probably be surprised to have a letter from our Credit Department. Of course, the reason a customer like you does not hear from us is that your account is never past due. Your charges are always accepted with a welcome feeling of pleasure, quickly approved, and given our most prompt attention.
>
> "In most offices the slow pay customers get most of the Credit Department's attention and the prompt pay are apparently unnoticed and unappreciated. We feel that this should not be so, and we hope you will regard this expression as but an indication of our continuous appreciation and regard.
>
> "Your account is valuable to us, and we want you to know that we appreciate the splendid patronage you have given us. We hope you continue the use of your account to the fullest extent during the New Year, 1935, and many years to come."

The response to this letter was far beyond the hopes of this Credit Department. It was discussed by the public in general. Ladies attending parties made it a point to favorably comment on the real sincerity of it and give the store a boost for the interest shown in their customers.

Numerous letters, personal calls and telephone calls, in response to this letter were indicative of the tremendous amount of Good-Will it was building for the store. Many stated that they had never received a letter of this kind from any other business house although they had always paid their obligations promptly.

Another interesting result is that of increased buying on these accounts during 1935, which exceeded the average for the previous year. For example, one lady who received one of these letters told us the following story:

She and her husband were at the dinner table the evening of the following day after she had received the letter, and she handed it to him and the conversation followed:

She - "John, what do you think of this bunk?"

He (reading it carefully and becoming very serious) - "Say, Mary, has any other store ever taken time to write you a letter like this?"

She - "No."

He - "Have you given this store much business during the past year?"

She - "I buy there occasionally, but have bought more generously from the 'X' store."

He - "From now on, buy all you can from this store and show them you appreciate the interest they have shown in recognizing your prompt pay record with them."

She told this story to a person in the credit department and said she intended to follow the suggestion of her husband - and purchased merchandise to the amount of $87.50 that afternoon to prove she meant what she said. (Her 1934 account amounted to $120.00 for the year.)

For months after this letter was sent, there were favorable comments made at the credit department, to the cashiers, floormen, salespeople and executives - just as the customer might happen to think of it and wished to express their appreciation for this letter.

It has proven the real value of making a direct contact of this nature through Direct Mail. Each year a repetition of this effort will be made and thereby create a desire on the part of this store's best charge customers to do the maximum amount of buying on their accounts throughout the year.

When the data has once been assembled which indicates those active charge customers who are not buying in certain departments, the actual promotion work in this direction can begin.

In most department stores the ready-to-wear sections are the most important parts of the organization. The assumption is naturally made, therefore, that most of the store's customers patronize these departments. Whether or not this assumption is valid can readily be determined accurately for the first time by the use of the customer control system. The results of such an analysis are quite apt to be surprising. It is not improbable that they will indicate a very large number of active charge customers who have not made a single purchase in the coat or dress departments. Such a condition opens up an excellent opportunity for some really worth while promotional work.

For the purpose of soliciting business in the apparel departments, various types of letters may be used. The following letter was sent to a large group of customers during the first month of the year:

Letter #1601

Dear Madam:

You favored Parkers very generously last year, for which we thank you very much. Our customers in every sense of the word are our best friends; they help to make our success a reality.

Our constant effort is directed to serve our customers intelligently and to give them the best we have in every possible way.

I am taking the liberty to call your special attention to a few departments that are worth your consideration and which were not represented in your transactions last year.

These departments, (ready-to-wear, shoes and millinery) are three of our strongest departments. The recent change in the management of Ready-to-Wear has been already reflected in the many changes in styles and values in the new suits, coats, and dresses for Spring.

The shoe and millinery departments are unusually complete both as to price range, styles and values. I am sure your consideration of them for 19-- will be to our mutual advantage.

Cordially yours,

Credit Manager.

Careful tabulation of the returns derived from the sending of the letter above showed that of these customers to whom the letter had been sent, 52% resumed buying in one or more of the departments. Thirty days later, the following letter was sent to those who had received No. 1601, but had not as yet made any purchases in the departments mentioned.

Letter #1603

Dear Madam:

We have missed your purchases of late in our _____, _____, and _____ departments.

One of the interesting values in our Ready-to-Wear department is the group of $15.00 and $25.00 dresses. There is a wide selection of printed crepes and chiffons, that incorporate all the new fashion details.

The Classic Opera pump is the fashion for Spring, and when they are "Peacock" shoes they are ultra-fashionable. Ask to see "Renee" of suntan beige trimmed with lustre kid. It has Spanish heel, and medium narrow toe - $10.50.

In the millinery section, brimmed hats are the outstanding fashion. There are many in sisol, baku, port bonheur, lacy straws and hair braids from which to choose at $10.

Won't you give us an opportunity this season to show how well we can please you with _____, _____, and _____?

Yours very truly,

Credit Manager.

A second check up revealed the fact that of those customers who had received both letters, #1601 and #1603, 43% of them resumed buying in the departments mentioned within a relatively short period of time, a total return of 73.5%.

While the expense involved in personalizing and mailing such letters is rather high, the unusually satisfactory returns more than offset the extra cost. Moreover, the amount of good will created among your customers when they realize how interested you are in their buying habits can not but result in tying them closer to the store and ensuring a continuance of pleasant business relations.

The information supplied by the customer control system can be readily adapted to countless other types of promotional work. For example, in the staging of some direct merchandise or departmental promotion, the control record furnishes the information necessary to select that group of people whose buying habits render them more likely to respond favorably to a certain type of sales message. This ensures the greatest possible percentage of returns by eliminating from the mailing list those customers on whom sales effort would be wasted for a particular class of merchandise.

The following is an instance of how customer control records in the credit office can be utilized to the best possible advantage in selecting a group of customers for direct promotional purposes:

The buyer in a certain toilet goods section was interested in introducing a new line of toiletries, but at the same time did not wish to contact customers who were steady purchasers of lines already established in the department. The manufacturer had offered to cooperate in promoting this line by offering a regular size package of the article free to a list of 5000 customers. The manufacturer also offered to pay half the postage on postal cards to be sent to these customers informing them of the offer.

By the use of the customer control system a list of customers who had never purchased in the toilet goods section was obtained. By sending the cards to them, offering the free goods, a whole new field of sales possibilities was opened up without in any way interferring with the regular sales to old customers of the department.

Another example occurred in connection with a special rug promotion which was to be advertised by sending out an attractive folder. It was desired to allow the customers who had formerly made purchases in the rug department to have first choice of the featured items, and so through the use of the customer control record a suitable list was quickly and easily obtained. The results of this particular promotion brought about a response of over 5% in direct sales of the advertised item during the first week alone, besides creating additional business throughout the drapery and rug departments as a whole.

Another interesting feature of results obtainable through the customer control system arises in connection with the promotion of business from other members of the customer's family. In most department stores, the charge accounts are carried in the Mrs! name. It will not take long to determine which of your customers have husbands or other male family members to whom the promotion of your men's apparel division can be quite suitably made. This can be done in the manner suggested in the following letters:

Letter #1802

Dear Sir:

We have made special efforts to provide the type of clothing and furnishings which you will be looking for this spring. They are all of standard "Parker" quality at the new low prices which have put first quality merchandise within the reach of all. Come in to see the new spring apparel. The amount of quality which can be purchased for so little will surprise you. Here are some examples:

"Kuppenheimer" new value two trouser suits, tailored to fit as well as long service are now priced at $35 and $40. Also, "Parkhurst" suits which give maximum quality at a minimum price - $25 and $30.

"Knox" fine felt hats, in the new spring shapes and shades. The same quality that has made them so famous for years - priced at $5, $7, and $10. "Parkhurst" felts are an unusual value at $3.50.

"Nunn Bush" ankle fashioned oxfords are to be had in the usual excellent quality - but at prices which are the lowest in the history of the company, $6.50, $7.50, $8.50.

We are glad to extend to you a Special Clothing account - just ask to have your charges marked "Special."

Yours very truly,

General Manager.

Letter #1801

Dear Sir:

On Monday and Tuesday of next week, March 21st and 22nd, a representative of the custom tailoring department of the House of Kuppenheimer will be at Parker's Men's store. He is bringing a complete line of patterns in fine foreign and domestic woolens.

This is an unusual opportunity for the man who needs his suits made to measure. We have a large selection of patterns and woolens to choose from, and your measurements are taken by an experienced tailor.

More and more Davenport men have taken advantage of this custom tailoring service available at Parker's and the prices this season are even more reasonable than ever before. Suits range from $35 to $60.

Drop in during this showing and see the extremely fine assortment of fabrics and patterns in the Kuppenheimer custom range.

Yours very truly,

General Manager.

P.S. The swatch enclosed is one of the many patterns included in the range at $40.

The results obtained when the above letters were used were exceptionally good. Letter No. 1802 was sent to a list of 1950 accounts, the records of which showed that they had never made purchases in the men's furnishings or clothing departments. From this letter, 53 accounts were opened in the Mr's name with a total sales of $1772 within thirty days. The total direct cost of this promotion was $1.28 per account opened or 3.7%. In view of the fact that these sales represented business from men who never before had traded in the men's departments, the cost was certainly within reason.

Letter No. 1801, sent to 300 former patrons of the men's clothing department whose account records showed that they had failed to make purchases there recently resulted in a return of 12% intwo days, for a total sales volume of $1365.

The use of the customer control system can readily be extended to cover a wide field of special promotional work. The control cards themselves can be classified and filed in numerous different ways so as to provide information of very important and productive nature.

One Customer Control analysis showed:

6,769 accounts were active
3,161 accounts were inactive (no purchases for 5 consecutive months)
9,930

Within a period of three months 989 of these 3,161 Inactive Accounts were REVIVED by Customer Control! Purchases in three months - $23,262.00!

Another analysis showed:

22,336 - active accounts
7,966 or 35% of these became Inactive because of their making no purchases in the five consecutive months: July, August, September, October, November.

Undoubtedly some of these accounts would have eventually become active again of their own accord. But the big point is that 7,966 customers STOPPED buying at this store during the best five months of the year.

THE VALUE OF A CUSTOMER: Statistics show that the average customer in the average store is worth $200.00 per year in sales. So a method that revives 989 inactive accounts brings back $197,800.00 in potential sales.

Analysis in one store showed that 52% of the store's customers had made no purchases in the Dress Department for a period of nine months. A Customer Control campaign sold $22,018.75 worth of dresses within a period of seven weeks. Selling cost 1.8%. An analysis disclosed:

16% Average Stores customers buy 49% of goods sold
24% " " " " 29% " " "
60% " " " " 22% " " "

1393 customers HAD patronized the Dress Department, but 1420 customers had NOT patronized the Dress Department. A Customer Control campaign on these 1420 customers sold 390 of them dresses, amounting to $29,368.80. The campaign cost $319.50; selling cost, less than 1.1%.

INCREASES VALUE: In the store mentioned above, the average yearly value of a customer prior to the installation of Customer Control was $260.00 in sales. Three hundred and ninety of these customers were persuaded to patronize a department NOT previously patronized, and spent $29,368.80, an average of $75.30 per customer. Their average value to the store was increased more than 25%.

RESULTS PROVE EFFECTIVENESS: Customers "Quit" without explanation, without giving the management a chance to "make good", and by "airing" their grievances, spread unfavorable word-of-mouth publicity. So, it is obvious that the most costly thing in store operation is "Customer turnover."

It not only means the loss of patronage, but carries with it the shutting off of favorable word-of-mouth publicity that wins new customers. Regular, scheduled appeals - written from the standpoint that keen disappointment is felt because patronage has been withdrawn - produce quick results. Such appeals must not be spasmodic.

Customer Control makes these appeals as programmed, systematized, sustained effort. It programs a monthly campaign to Inactives. Its system provides a perpetual inactive campaign and monthly inventory of customers - revealing their status to inactivity and activity.

As a rule a six months deadline is recommended for department stores. Every customer who has made no purchases for the six preceding months are "pulled" and "campaigned."

THE PERSONAL APPEAL: These inactive letters, together with the Departmental Campaigns, which talk in terms of the customer's actual purchasing status in the store - tend to build up in the customers mind the conviction that her patronage is appreciated. These customers cannot help but "boost" for the store that takes such personal interest in their patronage.

REDUCES LOSS: This plan reduces patronage loss - because 68 out of every 100 customers who drift away from a store do so because of store indifference. And Customer Control is just the opposite of store indifference!

INCREASES EFFECTIVENESS OF ALL ADVERTISING: The customer who is "sold" on the personal interest which "her" store takes in her patronage looks on all advertising from that store with a "pre-sold" attitude.

One means by which the customer control cards can be utilized so as to provide additional information is to classify them according to towns where the store in question has developed a group of charge customers living outside of the particular town in which the store is located. By such classification, particular attention can be paid to these accounts and consistent promotional effort directed toward them.

It is advisable to ascertain in one way or another which of your out of town accounts read the newspapers in which you advertise. This can be determined in several ways, the most direct of which is by the use of a self addressed stamped postal card sent to this list of names. Such a card mailed to all of the out of town customers brought a 72% return. Of the 72% who returned the card with the desired information it was discovered that 48% of them were receiving the newspapers in which our advertising was run.

This information was then recorded by using one of the Addressograph tabs to indicate which of our customers received newspaper carrying our ads, and which did not. A broadside, postal card, or letter listing special promotions which the store was engaging in, was then sent several times a month to those accounts who did not see the regular store ads. The extra effort placed on these accounts resulted in an increase of business from these accounts of about 13%.

A. Budget Account Promotion

Extra business can be readily promoted through the promotion of time payment budget accounts after these accounts have been already established. Budget accounts are usually established through the sale of some specialty item as washing machines, refrigerators, or furniture. More

frequently than not, they are established by the class of people who rarely have a regular charge account in the store.

It is the usual thing, also to find that the average budget or time payment account is carried until the item which has been purchased is fully paid for and then the account is closed. An appreciable amount of additional business can frequently be created if those budget accounts are carefully watched and some effort made to keep them from being closed.

This can readily be done in the following manner. Take the list of inactive budget accounts and select those where payments have been made and the terms of the contract strictly adhered to by the customers. This class of people have respect for the credit obligations which they have assumed and are the type which will make the most desirable charge customers.

From the list of budget accounts a selection is made of those names whose accounts are to be shortly paid up, where only a few payments remain before the account will be closed. By sending a letter to these people offering to place any further purchases which they might make in any department of the store on the same budget plan which they are using at the present time, a large percentage of these accounts can be kept active after the original purchase has been completely paid for. By this means you are appealing to a class of people whose financial circumstances make them reluctant to open a regular open account, but yet are of the type who meet their obligations and appreciate the opportunity of buying more merchandise on an extended payment plan. Frequently the solicitation of these accounts can be extended to include announcements of special merchandise promotions in which they would be interested. The following letter, #622, is an example of the type which can be used for this purpose. An actual test of this plan, using letter #622 revealed that 16% of the customers so solicited bought additional articles rather than to allow their budget account to be closed up after the original contract had been fulfilled. The purchases on these extended accounts ranged from $10 to $400.

Letter #622

Dear Madam:

We want you to know how much we appreciate the prompt and business like way in which you have met the payments on your Budget Account, which is nearly paid out. Customers like yourself, who regard their business obligations as a responsibility, are very much appreciated.

We would be pleased to have you add to your Budget Account before it is entirely paid out, without your having to make a cash payment. You may purchase your household needs and we will charge it to your Budget Account, transferring the entire amount to a new contract.

Yours very truly,

General Manager.

B. Active Account Analysis

Further classification of the active charge accounts will continue to reveal information of an exceptionally interesting and worthwhile nature. It is surprising the number of active customers whose purchases have been limited to only one department in the store! Here are some figures from one store whose ledger accounts were analyzed:

ANALYSIS of the buying habits of 9,958 active customers for the period of twelve months disclosed:

1480 or 14.86%	customers patronized	1 department only
1167 or 11.72%	" "	2 " "
1074 or 10.78%	" "	3 " "
1056 or 10.31%	" "	4 " "
971 or 9.75%	" "	5 " "

Thus, over 50% of this store's Active Customers had patronized not more than five out of the 19 departments in the store.

The analysis revealed similarly surprising figures as to patronage by floors. It further revealed those specific departments where patronage should be built up. For instance: Only 12.95% customers had purchased COATS in this store during the period covered by our analysis.

Analysis of this same store's inactive accounts revealed that when these customers were active, 30.54% had patronized one department only, and so on. Similar analysis made in several stores show that these figures are "average." Most stores will reveal about the same condition.

WHAT'S WRONG?

In order to design a system to increase sales, the causes of the weaknesses must be determined:

1. Why do customers drift away?

2. Why is the individual customer's patronage not "spread" to more departments?

The answer to the first question has already been stated: Analysis shows that:

Sixty-eight out of every 100 store customers who "drift away" do so because of store indifference.

Analysis further shows that the answer to the second question is exactly the same! Individual customer's patronage is not "spread" to more departments because of store indifference!

By using the information which is available from the analysis made of accounts in the Customer Control, you can show a real interest in your customers and avoid the possibility of indifference being shown To have accomplished this is worth all time and effort directed along this line.

6. THE PROMOTION OF INACTIVE ACCOUNTS

A most valuable extension of the work of customer control through the classification of charge accounts arises through their classification into inactive accounts.

In the course of the work of classifying customers accounts, the credit office will discover that there is certain percentage of these accounts which become inactive each month. That is, there will always be a proportion of your customers who fail to use their charge accounts for a period of time. This may be due of course to many things; the customer may be away from the city or for some reason has failed to pursue her usual shopping habits.

It should be the duty of the credit department to keep an accurate and complete record of the accounts which have become inactive so that steps can be taken to prevent these accounts, or a large proportion of them from becoming permanently inactive and consequently a permanent loss of business.

In order to get an immediate check on accounts which have become inactive those accounts which have been paid up in full the previous month and which indicate that no purchases have been made during the current month, are handled in the following manner: Such statements are held out of the regular statement mailing and referred immediately to the credit office. These are then checked back against the ledger account to ascertain whether the account is in good standing. If this is found to be the case, a sales message is multigraphed on the blank statement and the statement is mailed to the customer.

By this means the account is solicited in the earliest stages of its inactivity at which time it is probably most subject to solicitation because the customer has not had time to acquire definite buying habits in some other direction. At this time too, the cost of the solicitation is at a minimum because the statements are already addressed and the use of a window envelope eliminates the necessity for further addressing.

An example of the type of message suitable for multigraphing on the blank statements are given in the following memos, #1, #2, #3, #4.

MEMO #1

"Your account was paid in full during June, but no purchases were charged.

MAKE USE OF IT NOW.

"Each month thousands of shoppers find it convenient and thrifty to use their Parker charge accounts.....and with Parker's MIDSUMMER SALES offering hundreds of extra values in fine summer things..... you, too, should make use of this shopping convenience, YOUR Parker charge account."

MEMO #2

"Your account has been paid in full, but you did not use it during July. The enclosed folder offers several suggestions for worthwhile savings during our Advance August Sales. Use your account to advantage this month."

MEMO #3

"Your account was paid in full during August, but no purchases were charged.

MAKE USE OF IT NOW.

Here are a few suggestions:

Fall Dresses at $16.95.

The styles - Necklines are either high or low, but always soft and flattering. Shoulders are softly rounded. Sleeves are simple and sane.

The materials - Ribbed and corded silks, sheer rough woolens, Scottie plaids, luxurious velvets and metal shot fabrics.

The colors - are gay and clear, or rich, deep and warm.

Parklain Footwear at $4.95.

A leadership value! Every style detail that you'll find in even the most expensive shoes. Suedes, calfs, kids, in black and rich shades of brown. Pumps, ties, straps and sandals in all sizes.

Gotham Gold Stripe Ringless Chiffon Hose $1.00.

Clear as crystal - sheer as a cobweb - absolutely flawless and in the newest dark shades that set off their perfect beauty."

MEMO #4

"YOUR ACCOUNT IS BALANCED!

We are concerned about the fact that it was not used in November.

During this season of the year, a charge account is especially convenient, when making an early selection of your Christmas gifts. Now you will have the choice of fresh complete stocks to choose from, which means the satisfaction of finding "just the right gift," without the annoyance and discomfort of last minute crowds.

Our earnest endeavor is to make our store worthy of you, and we are anxious to have customers like yourself enjoy the intimate contact which an active account makes possible. We will look forward to the pleasure of seeing your account used to your advantage this month."

Constant use of these memos on statements which go to customers whose accounts have been inactive for the past thirty day period brings exceptionally gratifying response and very measurably reduces the inactivity of these accounts. One of these memos, multigraphed on 1294 statements brought a response of 32% within the next thirty days. That is, during the following month, 32% of these accounts had been returned to the active account classification again.

Detailed analysis of the returns received has been made, to determine to just what an extent this method of cutting down the number of inactive accounts was successful. Over a six months period it was found that the lowest percentage of response was 25% and highest 33%. Thus, it proves itself to be a very worthwhile and economical method of keeping the accounts on your books active and checking the tendency of a great many of your regular customers to alter their buying habits and start trading elsewhere. This immediate check up which results in a solicitation just thirty days after an account has become inactive catches the customer before her buying habits have become fixed in another direction. A sales message of some sort which reaches her at this time is bound to be more effective than one which reaches her after a longer period of time when tendency to do her shopping elsewhere has become such a fixed habit.

Some procedure of the same type can be used to increase the activity of those accounts which indicate a balance of $1 or less for a certain month. By this means the customer is induced to increase the size of her account to at least the point where it is a sufficient amount to warrant the writing of a check for the next month. For example:

MEMO #5

"This is a copy of your account as it appears at present. Only a small balance owing and no purchases charged during March.

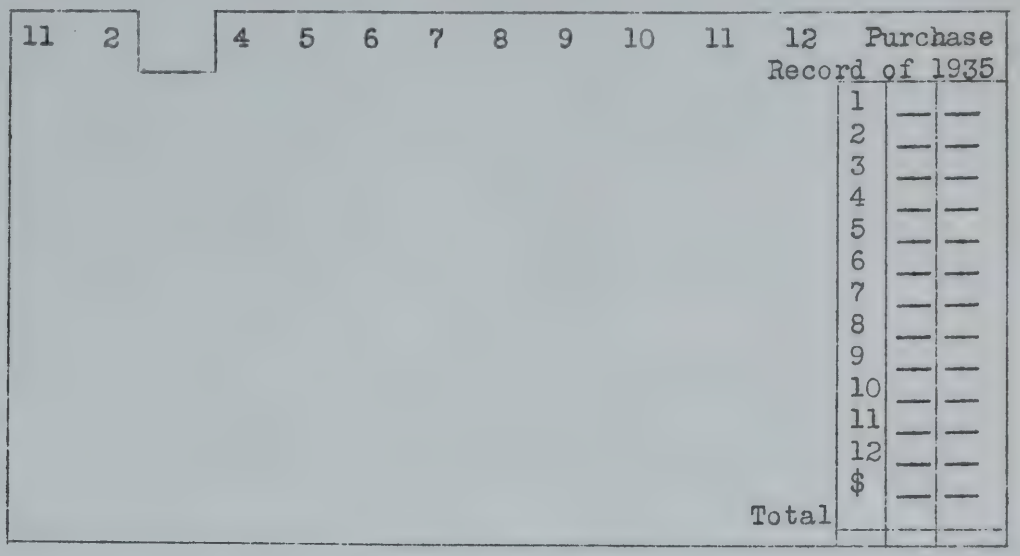
April is an outstanding month at Parker's because it marks the Anniversary of twenty-nine years of service to our customers. We are offering special values in each department during our ANNIVERSARY SALE - April 2 through 13, and sincerely believe that these values are of such a nature that you will benefit materially. Although you did not use your account last month, we are sure you will want to use it to take full advantage of this event.

Please come in at your earliest convenience and inspect the many marvelous values we have assembled for our ANNIVERSARY SALE."

However, the most important part of the work of promoting business from inactive accounts is only touched upon when the first memos are sent out. As the results from this first solicitation results only in a maximum return of 33% it is imperative that something further be done to conserve as much as possible of the loss of business which the other 67% of inactive accounts will result in.

For this reason, it is quite necessary that a very constant check be kept on all inactive accounts and that they be followed up in a concentrated and consistent manner periodically so as to cut down their extended

inactivity to the minimum. The following plan, over a period of four years, has brought a very definite response and has actually resulted in cutting down the total inactivity of charge accounts from the first month of the first year of 19.65% inactivity to the average for the fourth year of 6.45%:



Each month a record is kept of the number of inactive accounts withdrawn from the ledgers. These are recorded on the card form which is illustrated, the card being addressed by means of the Addressograph plate which has previously been tabbed to indicate that the account has become inactive. The illustrated purchase record card is punched to indicate on which months purchases were made, thus showing at a glance how long the account has been inactive as well as the month in which it fell into this classification.

From this card record of inactive accounts, it is a relatively simple matter to adopt and follow up a consistent and productive plan for regular solicitation which should result in a measurable decrease in the number of inactive customers. Letters such as those reproduced should be used for this purpose, as they have proven to be highly successful for inducing customers to resume shopping at your store.

Experience with the use of these letters has shown conclusively that their consistent use will bring results that should be gratifying to any store. The following tabulation obtained from their use will indicate to what extent they will actually bring results.

On March 1st there were 472 inactive accounts taken from the ledgers and a letter sent to them. In the following thirty days 136 or 21% had responded, buying a total of $1,415.52, or an average of $10.37 per customer. The cost of this solicitation was .7%. On the 1st of April the remaining 336 inactive accounts were solicited in addition to those which had fallen into the inactive classification but had not responded to the first solicitation; 133 made purchases during the following month, totaling

$2,108.03, or an average per account of $20.16. The cost of this solicitation likewise figures .7%.

This work was continued, with especial attention being paid to the particular list of accounts which had gone into the inactive file on March 1st. After nine months of this work a check up revealed that of the original 472 accounts which had become inactive on March 1st, 418 had since been restored to the active account classification. Thus, the results of this effort on this special group of customers resulted in the return of 88.56% to active buying again. It is also notable that after each of these particular accounts had become active again, it remained active continually throughout the remainder of the period.

The results which were obtained by the credit department in pursuing this line of activity over a one year period are summarized in the following table:

Table on Inactive Accounts

The following is a complete outline of the average monthly results from our Inactive Account program:

Monthly Average Number of Accounts in Mailing	2429
" " " " " used in 30 days	210
" " percent of response to total mo. mailing	9.55%
" " " " " during 12 months for each monthly group	61.12%
" " purchase per account	$ 7.92
" " " for accounts becoming inactive	1740.90
" " cost of mailing	35.45
" " percent of cost to purchases	2.88%
" " number of accounts withdrawn each month from ledgers as inactive for 90 days	755
" " percent of inactive accounts to total accounts each month	6.45%

The fact that we have been able to hold our inactive accounts 6.45% per month is evidence of the results which can be obtained from planning a constructive and consistent campaign to maintain active accounts the year round. The fact that you are constantly keeping before them the fact that their accounts are open for them to use at any future date will bring business through the use of their account at some time later on.

The letters found on the following pages are examples of the type used.

Letter #1.

Dear Madam:

We are appreciative of your patronage during the year just closed, and we look forward to a continuance of pleasant relations and good will during this year.

The absence of charges on your account the past three months, prompts us to call your attention to the opportunity for worthwhile savings during the January sales, which offer values of tremendous importance. A few of these are:

January sale of linens and bedding.

Twenty per cent discount on all men's women's and children's shoes.

A very special introductory offer in full-fashioned "Finery" hose, 95¢.

The first of new Spring "Janet Walker" dresses are here; they tell the whole story of new fashions in theirexquisite styles and colors, $19.75.

Your account could be used to advantage at this particular time.

Yours very truly,

General Manager.

Letter #2

Dear Madam:

The coming of Spring brings thoughts of new things. You will be delighted with the many changes in styles and colorings for this season and at a very reasonable cost.

Our stocks this season are very complete and we suggest that you make an early inspection of them for we are sure you will be greatly pleased.

The annual Spring opening will be held March 4 to 7, and the Business and Professional Women's Style Show will be held on our third floor during the week of March 9 to 14. You are cordially invited to attend them.

We offer you every service of this store while shopping and one of these is your charge account. Use it to advantage and enjoy the intimate contact made possible through an account.

Yours very truly,

General Manager.

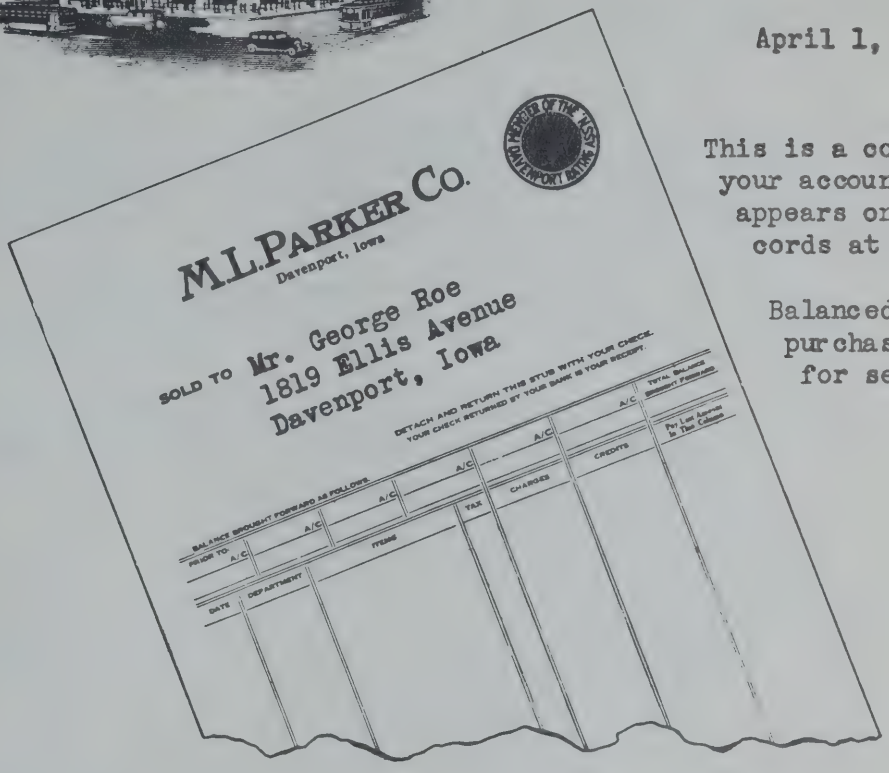
Letter #3

M.L.Parker Company

DEPARTMENT STORE

DAVENPORT, IOWA

April 1, 1935.



This is a copy of your account as it appears on our records at present.

Balanced and no purchases charged for several months.

April is an outstanding month at Parker's because it marks the Anniversary of Twenty-Nine years of service to our customers. We are offering special values in each department during our ANNIVERSARY SALE -- April 1 through 13, and sincerely believe that these values are of such a nature that you will benefit materially.

Although it has been several months since you last used your charge account, we are sure you will want to use it to take full advantage of this event.

Please come in at your earliest convenience and inspect the many marvelous values we have assembled for our ANNIVERSARY SALE.

Cordially yours,

M. L. PARKER COMPANY

A. E. Simmons

General Manager

AES:LK

Letter #4

Dear Madam:

You have been a good customer of this store in the past, which is evidenced by the fact that your account was used frequently.

We want you to know that we have appreciated your patronage and the prompt manner in which you have always taken care of your account.

However, during the past few months we have noticed that your account has not been used, and with the coming of the summer season, we suggest that you use your account for the convenience it will afford when purchasing your summer needs.

Our stocks are most complete with a wide variety of seasonable merchandise at prices to suit you. Notice the enclosed folder.

The Charge Account service of this store is planned to bring a sense of real pleasure in dealing here.

Yours very truly,

M. L. PARKER COMPANY

AES*JG

General Manager.

Letter #5

Dear Madam:

The month of July offers as many or more real opportunities to shop advantageously than any other month in the year.

And this July will be of especial interest to Parker customers because of the special inducements being offered during the month in addition to the new low level of prices already prevalent throughout the store.

You will find this the most opportune time to select your travel and vacation apparel from our stocks of dresses, coats, and suits now reduced to half price. The seasonal reductions of shoes now being offered are also unusually attractive.

Your charge account which we have kept open for you might be conveniently used to take advantage of the many outstanding value opportunities which this store will offer during July.

Yours very truly,

General Manager.

Letter #6

Dear Madam:

We are enclosing a folder which illustrates the extraordinary values that are being offered in fur and fur trimmed coats during August. This is merely one example of the exceptional style and value opportunities which are to be found in every department throughout the store.

With the interesting new styles predominating in every apparel line at the new low prices, we feel sure that you can shop now to greater advantage than ever before.

May we suggest that you use the charge account which we have kept open for you. It is a convenient service of this store which we are glad to extend to you.

Yours very truly,

General Manager.

Letter #7

Dear Madam:

Fall shoes reflect substantial savings in better styles and finer quality at no increase in price.

Parker's "Surety Six" at the same standard price, $6.00, is very much superior to its predecessors - better styles, better quality and better workmanship.

"Peacock" and "Foot Friend" shoes at $8.50 and $10 and $12.50 featuring fashions for every occasion. The values are noticeably much better and are reflected in - better quality of leathers, finer construction and superior fitting styles.

A new addition to our shoe family "Miss Moderne," the shoes for the young "Miss." Combining these important essentials for the modern girl - comfort, style and economy at $5.00.

By choosing your footwear now, you will find stocks complete in size ranges, as well as styles and colors.

Your charge account which is open for you - adds to the convenience of shopping. Won't you use your account when making your next purchase?

Yours very truly,

General Manager.

Other Inactive Account Letters

Dear Madam:

"Good Will" is but another term for friendship -- and we like to feel that our customers are our friends -- that they have confidence in us and in our store, and we wish to acknowledge it during this season of Good Will -- to let you know that it is sincerely appreciated.

Your account here hasn't been used for several months. We would be pleased to see it back in the "Active List" again. The enclosed folder suggests useful, attractive gifts for many occasions.

Won't you accept this as a cordial invitation to use your account for your greater convenience in Christmas shopping?

Yours very sincerely,

M. L. PARKER COMPANY

AES:EH

General Manager.

* * * *

Dear Madam:

The use of your account means so much to us in expressing personal confidence and good will, that we are concerned when you do not use our credit facilities.

You will find a charge account of convenience in all your shopping. We endeavor, through our credit department, to make your contacts with the store particularly congenial, so you may have a very kind feeling toward us.

Make it a particular point to shop in the store during the next few days. Here is a suggestion:

Save $2.00 on each in our August Sale!

KENWOOD BLANKETS.....6.95

Four full pounds of warm, fluffy virgin wool! Full 72 x 84 inches (6 x 7 feet!) Beautiful solid colors! Satin bound! You may have them laid away and delivered at a future date.

Charges made during August on these blankets will be billed September 1st but not payable until October 10th.

Mail and phone orders filled -- Second Floor.

DIAL: 3-3621

No doubt your account can be of service in connection with your shopping during August.

Yours very truly,

There should always be a letter of acknowledgment of the first purchase made in response to your letter soliciting the use of an inactive account. This will make the customer feel that you are indeed watching the activity of her account very closely. The following letter is suggested:

Dear Madam:

We were very glad to find another purchase entered on your account a day or two ago, and wish to thank you for giving us the privilege of serving you again.

Naturally, we were concerned when your account had not been active recently, and we want you to know that we appreciate your continued patronage.

Yours very truly,

M. L. PARKER COMPANY

AES*JG

General Manager.

Here is a very interesting figure comparison of the number of inactive accounts withdrawn in January and February, 1931, against January and February, 1935, as follows:

January,	1931 -	1003	Inactive or	19.65%
"	1935	518	" "	12.47%
February,	1931	340	" "	8.49%
"	1935	335	" "	7.11%

Homer Buckley, former Advertising Manager for Marshall Field and Company, and other merchandising experts claim that the average store loses 15% of its customers each year. So each year, before an increase in business can be looked for - a 15% deficit must first be made up. This is a real handicap!

Analysis shows that out of every 100 customers who "quit" a store, one is either dead or unaccounted for; five are influenced to trade elsewhere by friends; fourteen have unadjusted grievances (real or imaginary); three move beyond that store's trade area; nine buy elsewhere because of price; while sixty-eight drift away because of store indifference!

The great majority of those who "quit" do so without explanation - thus failing to give the store a "chance to make good." Further, those customers who "quit" because of some grievance, even though it may be but an imaginary one - make it a point to "air" that grievance to their friends and acquaintances at every opportunity.

The preceeding letters are examples of the type which have been found to be the most productive for the purpose of regaining the business of those customers who have allowed their accounts to become inactive. It is quite necessary that, when more than one letter is sent to the same customer, the wording and thought be individual and different in each case so as to avoid the danger of having the customers lose interest in reading such messages.

Stereotyped messages should by all means be avoided and every effort made to make the customer feel that each letter is a personal message written especially for her. This is best done by writing a new letter for each separate occasion and personalizing the letters.

The work of solicitation by direct mail is frequently quite expensive when a firm is forced to rely on some outside agency for the purpose of getting letters reproduced and personalized. This is especially true when so many different letters are used that at no time is there a large quantity of any one letter to be reproduced or multigraphed.

It has been found that any store which contemplates the adoption of some system similar to the one outlined here can materially reduce the expense incidental to its operation by purchasing its own multigraph equipment. Ample equipment to turn out all of the letters necessary can be purchased by a store for a fairly reasonable figure and the operation requires only part of the time of one office clerk. Actual experience has shown that the original cost of the installation of multigraphing equipment was more than offset by the saving which was made by being able to produce our own letters rather than having to rely on some outside agency.

Never before has it been so necessary that the credit department "know your customer." It is not enough to know how to approach them without offense to collect the amount due, but it is also necessary to know them well enough to promote new business through the contact their account affords to the credit department.

7. SOLICITING NEW ACCOUNTS

It is necessary that new accounts be secured to replace those becoming inactive and never used again. Also, to gain increased volume of business through increased number of accounts. The solicitation of new charge accounts is a very productive method of doing this.

Sources of new account solicitation:

(A) Newcomers

(B) Newlyweds

(C) Paid Up Budget Accounts

(D) Bank Checks

(E) Cash Sale Deliveries

(F) C.O.D.'s

(G) Mail Orders

(H) Lay-aways

(I) Personal Recommendations from Employees

(J) Teachers Directories

(K) Parking Permits

(L) City Directories

A. NEWCOMERS are one of the best sources of new account solicitation. Through the facilities of the local Credit Reporting Bureau there can be obtained a complete list of all newcomers. This list is thoroughly checked for credit information from former residence and if satisfactory a letter can be sent them offering a convenience of a charge account. (See Letter #300.) Because this letter reaches them very shortly after arriving in the city, it creates the impression that you are on the job and are welcoming them to a new community. Many express their appreciation for the courtesy extended and assure you of their continued patronage while living in the city. This response is gratifying and certainly encourages the continuance of this practice of welcoming all newcomers and soliciting their accounts.

The following day after the first purchase is made on the account a follow up letter of acknowledgment should be sent (see Letter #5).

In case you are unable to get a credit report on the newcomer, send them a letter (#302), enclosing an application for them to return in a postpaid envelope so that a complete record of references may be secured, etc. This is then cleared through the Credit Reporting Bureau and if the report is satisfactory, a letter (#4) should be mailed acknowledging the account and soliciting the use of it. If the account is used, follow up

with a letter of appreciation.

However, the response to accounts where applications are mailed to customers are only 50% as effective as the accounts which are written to the effect that the account has already been opened without any effort on the part of the customer.

The records of solicited newcomer accounts show a response of 53% where accounts are opened at once without any applications, but only 27% where applications are sent to customers for information.

If the application is declined, use letters to so inform the applicant. (See Letters #40 and #41.)

Letter #300

Dear Madam:

We are pleased to note that you have recently located in Davenport, and we are glad of the opportunity to extend to you a hearty welcome. We feel sure you will find this community a field for many business opportunities as well as an ideal place in which to live.

We hope that it will be our pleasure to serve you, and that you will find it to your advantage to make our store your store while living here.

We have taken the liberty of opening a charge account in your name --- you may use this feature of our store service to advantage, and we will be ready to take care of you at once. All that will be necessary will be for you to say "charge it" and the transaction will be taken care of very promptly.

With our best wishes for your success in your new work, we are

Yours very truly,

General Manager.

Letter #5

Dear Madam:

It is a special pleasure to acknowledge your recent charge purchase made in reply to our letter placing an account at your disposal.

This response is highly valued because we feel it expresses a confidence in our store, and an appreciation of our effort to make the M. L. Parker Company of genuine service to you and to this entire community.

We trust your account may be made of frequent and continued service. We shall make every effort to see that this closer contact between us is always pleasant and profitable to you.

Yours very truly,

General Manager.

Letter #302

Dear Madam:

We are pleased to note that you have recently located in the Tri-Cities and are glad of the opportunity to extend a hearty welcome to you. You will find this community a field for many business opportunities, as well as an ideal place in which to live.

You will find Parker's a store of the most modern and convenient arrangement, with courteous attention given you by each employee.

One of our many services which may be of interest to you, is a charge account. If you will fill in the enclosed application blank and return it to us we will give it our most prompt consideration.

We hope that it will be our pleasure to serve you and that you will make our store your store while living here. With best wishes for your success in the new work in the Tri-Cities, we are

Yours very truly,

General Manager.

Letter #4

Dear Madam:

It is a special pleasure to acknowledge your application for a charge account.

This response is highly valued because we feel it expresses a confidence in our store, and an appreciation of our effort to make the M. L. Parker Company of genuine service to you.

The information which we have secured in connection with your credit standing has been of a very satisfactory nature.

We have opened your account and trust it may be made of frequent and continued service, and we shall make every effort to see that this closer contact between us is always pleasant and profitable to you.

Yours very truly,

General Manager.

Letter #40

Dear Madam:

Referring to your application for an account, we regret to say that so far we have been unable to obtain sufficient information to pass favorably upon your request and, therefore, cannot see our way clear to open an account at this time.

We hope, however, that we may still be permitted to supply your wants on a cash basis, and that later on we may be favored once again with your request when more detailed credit information may be available.

Yours very truly,

M. L. Parker Company

Credit Manager.

Letter #41

Dear Madam:

Referring to your application for a monthly charge account, we regret to advise that the results of our investigation do not warrant opening an account at this time.

However, at some future date the conditions may permit us extending to you this privilege, and we would be glad to consider the matter further at any later time when you might wish to take the matter up with us.

With every good wishes, we are

Yours very truly,

M. L. Parker Company

Credit Manager.

B.NEWLYWEDS are a very fruitful source for new charge accounts. The potential business is hard to estimate. Certainly they are a "new family" in the community and a word of welcome will create a friendly feeling toward the store and produce business.

Each day the newspapers should be scanned for marriage licenses and announcements of coming weddings. These names to be checked thoroughly for credit information and if satisfactory a letter offering an account should be sent. If no information can be had from the Credit Bureau's files, letter #400 should be sent. After receiving the application with complete information it should then be properly cleared and if satisfactory a letter of acknowledgment sent. Also, whenever either account is used, acknowledge the purchase with a letter of appreciation.

When an account has been carried with the wife in her maiden name, check the credit record of her husband and if it is good, writer her acknowledging the change in her name, and offering her the usual convenience of her account.

In cases where an account has been carried with the husband before his marriage and not with the wife in her maiden name, write the wife that her husband has carried an account with you and that it is open for her convenience in the future.

All of these acknowledgments and solicitations are very generally appreciated by newlyweds, and make them feel at home in your store if they have not traded there before and in cases where either member has had an account prior to their marriage, it makes a much more active account in the future.

Letter #401

Dear Mr. and Mrs._____:

To you, as one of our "new" families, we extend our congratulations and a cordial invitation to use the charge account we have opened for your convenience, in making the many purchases necessary in equipping your new home.

With a charge account your shopping is simplified and time saved. The intimate contact gained is of mutual advantage. It gives you prestige - for a good credit standing in the community is to be greatly valued.

Your account is ready for you to use as soon as you wish. Just say "charge it" and receive our most prompt attention.

Yours very truly,

Credit Manager.

Letter #400

Dear Mr. and Mrs._____:

To you, as one of our "new" families, we extend our congratulations and a cordial invitation to open a charge account for your convenience, in making the many purchases necessary in equipping your new home.

With a charge account your shopping is simplified and time saved. The intimate contact gained is of mutual advantage. It gives you prestige - for a good credit standing in the community is to be greatly valued.

Just fill in the enclosed application blank and mail it back to us. We will promptly complete our records and advise you.

Yours very truly,

Credit Manager.

Letter #50

Dear Mrs. _____:

For your convenience and so that the very best service may be rendered on future charges, we have transferred your account under the name of Miss _____to that of Mrs. _____.

Any charges made on this account will be given the usual prompt attention, and we trust we may have a continuance of your generous patronage, and pleasant contact enjoyed heretofore.

Yours very truly,

General Manager.

C. PAID UP BUDGET ACCOUNTS: Many times a budget account is opened with a customer and this is the initial account which they will carry with you. If this account is paid up according to their contract terms and the credit report indicates responsibility in their dealings with other concerns, make it a point to write them a letter after the budget is paid. This letter is a compliment to them for their fine record on the budget account and encourages them to use the open thirty day account in the future. These accounts are often used and prove to be good active prompt pay customers on a thirty day basis.

Letter #601

Dear Madam:

Because of the fine record which you established in connection with our Budget account, we opened a regular thirty day charge account for your convenience when shopping.

We always feel that our charge customers are just a little bit closer to us than those who pay cash. We become better acquainted with them, which is of mutual advantage.

Our earnest endeavor is to make our store worthy of you, and we are anxious to have customers like yourself enjoy the intimate contact which a charge account makes possible.

Your account is ready for use as soon as you wish. Just say "charge it" and you will be given our prompt attention.

Yours very truly,

General Manager.

D. BANK CHECKS: All bank checks given in payment of cash purchases should bear the street address of the customer before being accepted by the cashiers. Each morning these checks are listed according to name and addresses. This list should then be checked against your credit files to determine whether you have accounts with any of them, and those which do not appear on your files are cleared through the Credit Bureau for credit reports, and followed with the same procedure as explained before.

In using bank checks as a source of names for new charge accounts, you will be able to secure many valuable accounts, converting your occasional cash customers into permanent and greater volume building charge customers, thereby keeping them as regular customers whereas before they were somewhat transient and bargain seekers.

Letter #700-A

Dear Madam:

The little service of cashing your check recently brought to my attention the fact that you might be interested in having a permanent charge account with us. A charge account is especially convenient when shopping.

You will find with a charge account that you will be free from carrying cash when shopping in the store; your monthly purchases being billed to you the first of each month, due and payable in full by the tenth.

May we have the pleasure of serving you frequently through the use of your account.

Yours very truly,

General Manager.

Letter #700

Dear Madam:

The little service of cashing your check recently brought to my attention the fact that you may be interested in having a permanent charge account with us. A charge account is especially convenient when shopping.

Just fill in the enclosed application blank and return it to us. We will promptly complete our records and advise you.

Yours very truly,

General Manager.

E. CASH SALE DELIVERIES: Every cash delivery should have the name and address on the space for that purpose on the sales check. Each day after the cash sales have been audited, they should be checked through by your promotion department for names and addresses of cash deliveries. This list is then checked the same as described under Bank Checks, and if reports are good, send this customer a letter for that purpose. If no information is on file at the Credit Association, send a letter enclosing application. The application is then cleared and acknowledged the same as explained under bank checks.

By encouraging a charge to your good cash customers you are again able to build greater volume and keep them as more regular patrons of the store.

Letter #805

Dear Madam:

You have recently had several cash purchases sent which we appreciate, and wish to make it more convenient for you to do your shopping, so you are offered the advantages of a charge account here, and are invited to use it.

You will find with a charge account that you will be free from carrying cash when shopping in the store. Your monthly purchases being billed to you the first of each month, are due and payable in full by the tenth.

May we have the pleasure of serving you frequently through the use of your account?

Yours very truly,

General Manager.

Letter #800

Dear Madam:

You have recently had several cash purchases sent, which we appreciate, and wish to make it more convenient for you to do your shopping.

Just fill in the enclosed application blank and return it to us. We will then immediately complete our records and advise you.

Yours very truly,

General Manager.

F. C.O.D'S: Each day your C.O.D. sales should be listed according to name and addresses and checked in the same manner as that outlined under Bank Checks and Cash Sale Deliveries. The procedure is then the same as outlined under heading of Bank Checks.

It has been found by converting C.O.D. business into charge business that you are encouraging more buying on the part of your former C.O.D. customers. Also, that the routine work in connection with charge accounts is much more easily handled in the office than the C.O.D. customers which you have each day.

Letter #901

Dear Madam:

You have recently had several purchases sent C.O.D. which we appreciate, and wish to make it more convenient for you to do your shopping.

We would like to have you as a charge customer, so you are offered the advantages of a charge account here, and are invited to use your account.

You will find that with a charge account here, you will be free from the bother of carrying cash to pay for your purchases when shopping in the store, and free from the bother of C.O.D. deliveries. Your monthly purchases billed to you the first of each month are due and payable in full by the tenth.

May we have the pleasure of serving you frequently through the use of your account?

Yours very truly,

General Manager.

Letter #900

Dear Madam:

You have recently had several purchases sent C.O.D. which we appreciate, and wish to make it more convenient for you to do your shopping.

Just fill in the enclosed application blank, and mail it back to us. We will then immediately complete our records and advise you.

Yours very truly,

General Manager.

G. MAIL ORDERS: Under the first division of this outline we explained the method of producing more business from out of town accounts. This will greatly increase your mail order business. Those customers who have accounts tell their friends in their town about the wonderful service and merchandise which they receive from your store, and you will receive many orders to be sent C.O.D., and in many cases money orders or checks are enclosed where the cost of the order is known in advance. The cash and C.O.D. mail orders are very potential charge accounts, and should not be overlooked for a source of new account solicitation.

Each time a cash or C.O.D. mail order is received, clear the name through the Credit Bureau and use the same procedure as explained heretofore.

It is found that after a mail order customer uses an account, she gradually increases her orders because of the convenience and also because of the follow-up on all out of town accounts as explained under "Active Accounts." It is found that they are real sources of new business. It is indeed a very convenient method for mail order customers and greatly appreciated by them, for this is evidenced by the number of favorable letters received after an account has been opened for them.

Letter #1000

Dear Madam:

You have recently had several orders filled through out Personal Shopper. We wish to make it more convenient for you to do your shopping by mail.

Just fill in the enclosed application blank and return it to us. We will then immediately complete our records, and advise you.

Yours very truly,

General Manager.

Letter #1001

Dear Madam:

You have recently had several orders filled through our Personal Shopper. We wish to make it more convenient for you to do your shopping by mail, so you are offered the advantages of a charge account here, and are invited to use it.

You will find with a charge account that you will be free from the bother of sending remittance with each order by mail, and free from the carrying of cash when shopping in the store. Your monthly purchases being billed to you the first of each month are due and payable in full by the tenth.

May we have the pleasure of serving you frequently through the use of your account.

Yours very truly,

M. L. Parker Company

General Manager.

H. LAY-AWAYS: In some stores the use of lay-aways is encouraged. Some do not, but have lay-away accommodations for those who wish to use it. The contention is that merchandise held on lay-away is out of stock and yet not always a final sale. It is believed that the customer laying away goods might prove to be a good charge customer if properly approached, and thereby make a final sale. Of course, it is agreed that some lay-away customers are good for lay-aways and not a charge account.

Each day the lay-away desk should send to the credit office a complete list of all lay-aways and this list is then checked against your files and then cleared through the Credit Bureau. A letter should be mailed to all those having good credit records, which suggests that they charge the balance on an account, thereby closing the sale and eliminating the possibilities of future lay-aways with the customer. The account has paved the way for future charge purchases and gains another active account. If there is no credit information mail a letter enclosing application blank and often times this brings the customer into your credit office inquiring regarding an account, its advantages, etc., making it possible to make a personal contact with her and selling the store to her. The information derived directly in conversation often is sufficient to enable us to check up thoroughly on her and to open an account.

Letter #1101

Dear Madam:

You recently made a deposit on some merchandise which we are holding for you. We will be pleased to charge the balance on this transaction to you, if you would like to have us do so.

We have opened a regular charge account in your name. Our regular patrons find it a more convenient manner of shopping, paying the account by the tenth of the month following the date of purchase.

We would welcome your active charge account. We are sure it will be a convenience you will appreciate and it gives us a better opportunity to render service more in keeping with the spirit fostered by credit relations.

Yours very truly,

General Manager.

Letter #1100

Dear Madam:

You recently made a deposit on some merchandise which we are holding for you. We would like to make it more convenient for you to do your shopping.

Just fill in the enclosed application blank and mail it back to us. We will then immediately complete our records so as to make the account available for you at once.

Yours very truly,

General Manager.

I. PERSONAL RECOMMENDATION FROM EMPLOYEES: The contacts which sales people make with a customer are usually very valuable. Encourage them to suggest to the credit department the names of regular cash customers whom they serve. Then clear these names for credit reports and if satisfactory write them. This conveys to the customer a service of your store, suggested by an alert employee, and she will usually express personally her appreciation to the employee suggesting a charge account for her convenience. It creates a more friendly feeling toward employee and store as a whole, making this customer a real booster for your service and merchandise. Sometimes you are unable to secure credit information in advance and it is necessary to send letter with application blank which should be cleared and acknowledged as explained before.

Letter #1301

Dear Madam:

At the request of our _____, we are pleased indeed to advise you that we have opened a charge account in your name on our books, and we will be very glad to take care of any charge purchases which you might wish to make in the store at any time.

We want you to know that we very much appreciate the business you have given us, and any future service we can render at any time we will be glad to extend.

For your convenience, statements are rendered the first of each month, due and payable by the tenth.

Yours very truly,

General Manager.

Letter #1300

Dear Madam:

At the suggestion of our _____, my attention was called to the fact that you may be interested in having a permanent charge account with us. A charge account is especially convenient when shopping.

Just fill in the enclosed application blank and return it to us. We will then immediately complete our records, so as to make the account available for you at once.

Yours very truly,

General Manager.

J. TEACHERS DIRECTORIES: Teachers accounts have proven to be the best type of account to solicit. Their records generally are very good. For this reason make a concerted effort to secure all the teachers accounts you possibly can.

Each school term secure a complete list of all teachers in city and rural schools. This list should be checked thoroughly with your records to eliminate all accounts you have. The balance should then be cleared through the Credit Bureau and accounts opened. A letter is then sent informing them that the account is ready for use. A complete file should be kept of all active and solicited teachers accounts and capitalize on these by having special spring and fall promotions for this particular class of accounts. The result will be that the majority of teachers in your vicinity will have an active account some time during the school term, also using it during the vacation period.

Letter #1200

Dear Madam:

We are always glad to add the names of those worthy of credit to our list of charge customers. Yours is one of them and an account has been opened for you.

A charge account establishes closer relationship between customer and store. Salespeople come to know the customer and their preferences. Shopping is easier, quicker, and more pleasurable.

You make your selection, say "charge it" and give your name and address. An itemized statement showing all purchases comes to you at the end of the month.

May we have the pleasure of serving you soon through the use of your account?

Yours very truly,

General Manager.

K. PARKING PERMITS: The parking permits issued at your accommodation desk should require the name and address of the person to whom they are issued.

These names should be listed each day and turned in to your credit department. They should then be checked and cleared for credit information. The use of this list suggesting another service of the store in the form of a charge account will be very favorably received and add many active charge accounts. It provides a source of approach which is very worthwhile for increasing charge business, and contacting people who may not patronize the store very regularly.

Letter #1700

Dear Madam:

The opportunity we had of furnishing you with a permanent 1935 Parking Permit brought to my attention the fact that you might be interested in other services we offer our customers.

One of them, a charge account, is exceptionally convenient when shopping. Most of our customers enjoy the use of an account, having their monthly purchases billed to them the first of each month, due and payable in full by the tenth.

We have opened an account for you, and trust you will use it to advantage when you are in Davenport, at some future time. Or, it can be used conveniently when sending mail orders to our Personal Shopper.

Just ask that your purchases be charged to your account, and we will give them our most prompt attention.

Yours very truly,

M. L. Parker Company

General Manager.

Letter #1701

Dear Madam:

The opportunity we had of furnishing you with a permanent 1935 Parking Permit, brought to my attention the fact that you might be interested in other services we offer our customers.

One of these, a charge account, is exceptionally convenient when shopping. Most of our customers enjoy the use of an account, having their monthly purchases billed to them the first of each month, due and payable in full by the tenth.

A charge account when chosen with discrimination on the part of both customer and store, is a constant source of mutual good will.

If you will fill in the enclosed application blank and return it to us, we will give it our most prompt attention.

Yours very truly,

General Manager.

L. CITY DIRECTORIES: It should be recognized that the future of the store and the improvement of its volume and maintaining the proper standard with its customers is possible only through the growth and expansion of charge business.

With this thought you should grasp every opportunity to open an account if the person is worthy of it, and extensively solicit charge account business in a very ethical manner.

In order to increase your accounts you should purchase city directories of all cities within a radius of seventy-five miles and check them against your files to indicate all names of customers you have on your books. Then, these directories should be checked by the credit department according to the occupation listed, and eliminate the classes you do not wish to solicit. The balance of the names should then be cleared through the Credit Association and those having good reports are written, offering a charge account.

The usual response which is received from this solicitation will prove that you must extend your trading radius to improve your volume. Your potential customers in these other communities is not realized until you have made a contact through the offer of a charge account. You should constantly add to your library of directories to reach new communities in this manner. It has been found that 67% of the reports received are good and of these approximately 32% will use their accounts.

Letter #1500

Dear Madam:

Shopping through a charge account helps to develop that closer relationship between customer and store which leads to greater satisfaction and mutual good will.

We have opened an account in your name which we hope will meet with your approval. We feel sure you will find shopping much more convenient and satisfactory through the medium of a charge account.

There is no further introduction necessary. Your account is ready. Your name and address when you make a purchase is all that will be required. An itemized statement comes to you on the first of each month, payable by the tenth.

Make Parker's your headquarters when in Davenport.

Yours very truly,

General Manager.

8. RESULTS FROM SOLICITING NEW ACCOUNTS

You have noticed in the outline of the sources and methods of charge account solicitation that there has been mentioned the first letter of approach for each source. But you should go further in your follow up of these accounts. A complete file should be maintained of all solicited accounts and every thirty days a follow up letter sent these until the account is used, providing it is used within a twelve month period after the first solicitation. After that period the names should be withdrawn from the file and put in your credit file for future reference.

9. WHAT IS A NEW ACCOUNT WORTH

Homer J. Buckley of Chicago, Direct Mail expert, gave these figures before a meeting of the National Retail Dry Goods Association:

A clothing store account is worth $85.00 per year; department store account $362.00 per year; shoe store account $35 to $68, depending upon the family; furniture store account $85.00 after the initial purchase.

Any store may obtain similar figures by dividing annual sales by total number of accounts, carried on an average each month.

The basis of potential success in business is products or service for which there is an existing acceptance or for which a market can be created. In the range from the smallest neighborhood store to the largest department store, from the village store in the country to the largest institution in the city, knowledge, enthusiasm, confidence and hard work are the things that build business. There is no other way to gain commercial success, no magic that can be employed, no safe short cut, but there are always rich rewards awaiting those who apply each of these elements as they build. Of these four success elements, knowledge probably is the most important. If a man, or men responsible for progress know that the fundamentals of a business are right, know that the management policies are right, know that the operating methods are right, enthusiasm, confidence and hard work are sure to follow.

What Lincoln once said of the nation can well be said of any business: "If we know where we are, we can easily and quickly plan where we will go." To know where we are in a business requires careful unbiased analysis, close examination of all phases of that business. To plan where we will go requires the ability and courage to correct weakness or errors, disclosed by our analysis and the determination to adopt plans that have been proved practical and productive.

Whether the tide of general business is going in or out, there is always the recurring variation of net results in business. One concern reports business good, while another in the same line reports fair, and still another says slow.

A study of these variations in many lines of business over a period of several years leads to the definite conclusion that the difference invariably lies in the degree of efficiency with which selling tactics are employed.

Be sure that you utilize every possible means of selling, whether it be through the personal salesman, newspaper advertising, or the great field of direct mail advertising through the use of customer control.

You will then be convinced that the credit department is the most potential sales building unit in your store. Your duty being not only the efficient collection of accounts, but also the efficient selling of the good will and merchandise of your store to the customers you are in a position to be thoroughly familiar with in reference to their buying and paying habits.

Pressboard
Pamphlet
Binder
Gaylord Bros., Inc.
Makers
Syracuse, N. Y.
PAT. JAN. 21, 1908

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